

Message Text

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73

ACTION NEA-12

INFO OCT-01 EUR-25 ADP-00 AID-20 CIAE-00 COME-00 EB-11

FRB-02 INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12

CIEP-02 LAB-06 SIL-01 OMB-01 AGR-20 IO-12 SR-02 ORM-03

DODE-00 PM-09 H-02 L-03 NSC-10 PA-03 PRS-01 SS-15

USIA-12 RSR-01 /204 W

----- 037405

R 111336 Z MAY 73

FM AMEMBASSY NEW DELHI

TO SECSTATE WASHDC 4307

INFO AMEMBASSY ISLAMABAD

AMEMBASSY KATHMANDU

AMEMBASSY LONDON

AMCONSUL BOMBAY

AMCONSUL CALCUTTA

AMCONSUL MADRAS

LIMITED OFFICIAL USE NEW DELHI 5531

E. O. 11652: N/A

TAGS: EAGR, IN

SUBJ: WEEKLY FOOD SITUATION

REF : NEW DELHI 5249

BGIN SUMMARY: THERE HAS BEEN A SLIGHT IMPROVEMENT IN THE
FOODGRAIN SUPPLY SITUATION DURING THE PAST WEEK. GOVERNMENT
WHEAT PROCUREMENT TOTALED 1.25 MILLION TONS AS OF MAY 10. GOVERN-
MENT PROCUREMENT IS RUNNING AHEAD OF LAST YEAR BUT IS BELOW TOTAL
PROCUREMENTS BY THE GOVERNMENT AND PRIVATE WHOLESALE GRAIN
MERCHANTS. THE GOI HAS TAKEN FURTHER STEPS TO MAXIMIZE ITS
PROCUREMENT. DRINKING WATER SCARCITY CONTINUES AND IS BECOMING
MORE DIFFICULT. GOI OFFICIALS STILL TALKING OF ADDITIONAL FOOD-
GRAIN IMPORTS TO FILL SUPPLY GAP IN LATE SUMMER/ EARLY FALL PRIOR TO
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MARKET ARRIVALS OF THE FALL HARVESTED CROPS. END SUMMARY.

1. THERE SEEMS TO HAVE BEEN SOME OVERALL IMPROVEMENT IN THE
FOODGRAIN SUPPLY SITUATION IN INDIA DURING THE PAST WEEK. THIS

IMPROVEMENT WAS DUE TO INCREASED PROCUREMENT OF WHEAT FROM THE CURRENT HARVEST AND CONTINUED ARRIVALS OF IMPORTED FOODGRAINS. GOI OFFICIALS GENERALLY OPTIMISTIC OVER THEIR ABILITY TO PROVIDE MINIMUM FOODGRAIN REQUIREMENTS IN DEFICIT AREAS DURING NEXT FEW MONTHS. THIS OPTIMISM IS BASED ON THE ASSUMPTION THAT WHEAT PROCUREMENT PROGRAM WILL CONTINUE TO BE REASONABLY SATISFACTORY. ALSO, IMPROVED PROCUDRES HAVE BEEN DEVELOPED BY FLOUR MILLS FOR REMOVING TOXIC MATERIALS FROM IMPORTED FOODGRAIN, REDUCING SUBSTANTIALY THE DELAY IN DISTRIBUTING MILLED PRODUCTS TO CONSUMERS. HAND PITTING TO REMOVE JIMSON SEED AND ERGOTY WHEAT IS BEING CONTINUED FOR IMPORTED MILO AND WHEAT SOLD AS WHOLE GRAIN TO CONSUMERS.

2. DESPITE THE ENCOURAGING DEVELOPMENTS INDICATED ABOVE, THERE ARE STILL WEAK LINKS IN THE FOOD DISTRIBUTION SYSTEM WHICH MAY CONTINUE TO CAUSE FOOD DEMONSTRATIONS AND RIOTS IN SOME PARTS OF THE COUNTRY. REPORTS FROM MAHARASHTRA STATE INDICATE THAT THE ONE KG. INCREASE IN THE WHEAT RATION (PARA 2 REFTEL) HAS NOT BEEN FULLY IMPLEMENTED AND PROBABLY WON' T BE UNTIL MID OR LATE MAY. ON MAY 3 THERE WAS A RELATIVELY MILD FOOD RIOT IN GONDIA (MAHARASHTRA STATE) WHERE SEVERAL GRAIN SHOPS WERE LOOTED. POLICE USED TEAR GAS TO DISPERSE THE MOB AND RESTORED ORDER WITHOUT ANY REPORTED CASUALTIES. ON MAY 6 A CROWD OF APPRXIMATELY 1,000 PERSONS STAGED A FOOD RIOT IN BELGAUM DISTRICT (MYSORE STATE). THEY LOOTED FIVE FOODGRAIN SHOPS. FOUR PERSONS WERE INJURED DURING THE RIOT. OTHER FOOD DEMONSTRATIONS ARE BEING ORGANIZED IN MAHARASHTRA STATE FOR MID- MAY.

3. AFTER THE JIMSON SEED AND ERGOTY WHEAT EPISODES, ANOTHER CASE OF CONTAMINATION OF FOODGRAINS SOLD THROUGH FAIR PRICE SHOPS ATTRACTED PUBLIC ATTENTION, INCLUDING A PARLIAMENTARY DEBATE, DURING THE PAST WEEK. THE PRESENCE OF " SMALL IRON PIECES" IN LONG GRAIN RICE BEING DISTRIBUTED THROUGH FAIR PRICE SHOPS IN GREATER BOMBAY WAS DETECTED ON MAY 3. UNDER INSTRUCTIONS FROM THE CENTER, THE STATE GOVERNMENT IMMEDIATELY STOPPED SALE OF THE ADULTERATED RICE. THE ORIGIN OF THIS ADULTERATED RICE HAS NOT BEEN INDICATED BUT IT IS BELIEVED TO BE FROM INDIGENOUS SOURCES.

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4. GOVERNMENT PROCUREMENT OF WHEAT AS OF MAY 10 TOTALED 1.25 MILLION METRIC TONS. THIS PROCUREMENT LEVEL IS APPROXIMATELY 40 PERCENT ABOVE THE SAME DATE OF THE PREVIOUS YEAR BUT CONSIDERABLY BELOW THE TOTAL QUANTITY OF WHEAT PROCURED BY BOTH GOVERNMENT AND PRIVATE WHOLESALERS AT THE SAME DATE LAST YEAR. WITH THE NATIONALIZATION OF WHEAT TRADE, GOI ASSUMED MOST OF THE SUPPLY RESPONSIBILITY FORMERLY HANDLED BY THE WHOLESALE GRAIN MERCHANTS. GOVERNMENT PROCUREMENT SHOULD INCREASE ACCORDINGLY.

5. ONE POLICY CHANGE ANNOUNCED DURING PAST WEEK PROHIBITS PRIVATE RETAIL MERCHANTS FROM PURCHASING WHEAT DIRECTLY FROM FARMERS IN VILLAGES. UNDER THE NEW REGULATION, PRIVATE GRAIN

RETAILERS MUST PROCURE THEIR SUPPLIES FROM GRAIN MARKETS. MOST STATE GOVERNMENTS HAVE ALSO ESTABLISHED MAXIMUM SELLING PRICES BY RETAILERS. THESE MEASURES ARE DESIGNED TO INCREASE THE FLOW OF GRAIN FROM VILLAGES TO MARKET CENTERS AND TO PREVENT RETAILERS FROM OUTBIDDING GOVERNMENT AGENCIES IN PURCHASING WHEAT FROM FARMERS.

6. ON MAY 5 AGRICULTURE MINISTER AHMED ANNOUNCED THAT THE ESTABLISHED PROCUREMENT PRICE OF RS. 76 PER QUINTAL FOR AVERAGE QUALITY WHEAT WOULD NOT BE INCREASED. HE ARGUED THAT THIS IS AN INCENTIVE PRICE TO PRODUCER AND THAT ANY PRICE INCREASE WOULD BE INFLATIONARY. IN UTTAR PRADESH STATE THE PROCUREMENT PRICE FOR AVERAGE QUALITY WHEAT IS RS. 76 PER QUINTAL. HOWEVER, HTE STATE GOVERNMENT IS PAYING FARMERS A FLAT RATE OF RS. 2 PER QUINTAL FOR TRANSPORTAION COST AND IS ALSO EXEMPTING WHEAT FARMERS FROM PAYING OTHER MARKETING CHARGES SUCH AS HANDLING, CLEANING, TAXES, ETC. WHICH TOTAL ABOUT RS. 1 PER QUINTAL. WHEAT FARMERS ARE STILL AGITATING FOR HIGHER PROCUREMENT PRICES. FARMERS IN PUNJAB AND HARYANA STATES IN PARTICULAR ARE POINTING OUT THAT U. P. FARMERS ARE CURRENTLY BEING PAID ABOUT RS. 3 PER QUNNTAL MORE THAT THE FIXED GOVERNMENT PRICES.

7. GOI IS FOLLOWING THE USUAL PRACTICE OF ACCUMULATING SUPPLIES OF FOODGRAINS IN AREAS WHICH MIGHT BECOME ISOLATED DURING THE MONSOON SEASON. EMBOFF WAS INFORMED ON MAY 10 BY A CENTRAL GOI OFFICIAL THAT THIS PROGRAM IS BEING IMPLEMENTED SATISFACTORILY BUT AT THE EXPENSE OF REPLENISHING BUFFER STOCKS. EMBOFFS VISITING MAHARASHTRA STATE ON MAY 8 WERE TOLD THAT STOCKS FOR THE MONSOON SEASON WERE NOT BEING ACCUMULATED IN THAT STATE AND THAT THIS
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PROBLEM IS OF GROWING CONCERN TO STATE OFFICIALS.

8. DRINKING WATER SUPPLIES, PARTICULARLY IN DROUGHT AREAS, ARE BECOMING INCREASINGLY DIFFICULT WITH THE ADVANCING SUMMER SEASON AND THE CURRENT HEAT WAVE IN MOST PARTS OF INDIA. WATER LEVELS IN MOST OF THE MAJOR RESERVOIRS AND OTHER SOURCES OF DRINKING WATTER IN UTTAR PRADESH, BIHAR, ORISSA, RAJASTHAN, MAHARASHTRA, AND ANDHRA PRADESH ARE AT UNUSUALLY LOW LEVELS. IN MANY TOWNS AND VILLAGES DRINKING WATER IS BEING PROVIDED BY RAILWAY TANKERS, TRUCKS, AND BULLOCK CARTS. THUS FAR NO SERIOUS HEALTH PROBLEMS ATTRIBUTABLE TO DRINKING WATER HAVE BEEN REPORTED. THE DRINKING WATER SHORTAGE PROBLEM WILL PERSIST UNTIL THE ARRIVAL OF MONSOON RAINS IN JUNE/ JULY. ONE MAJOR EXCEPTION TO THE FALLING WATER LEVELS OF RESERVOIRS IN NORTH INDIA IS THE BHAKRA DAM WHERE THE INFLOW OF WATER DURING RECENT WEEKS HAS CONSIDERABLY INCREASED DUE TO MELTING OF SNOW IN THE MOUNTAINS CAUSED BY EARLY HOT WEATHER.

9. COMMENTS: WE BELIEVE THAT THE GOI WILL BE ABLE TO SQUEEZE BY WITH THE FOODGRAIN SUPPLIES LIKELY TO BE MADE AVAILABLE FROM DOMESTIC PROCUREMENT AND FROM IMPORTS ALREADY IN THE PIPE LINE UNTIL ABOUT AUGUST OR SEPTEMBER. LOCAL SHORTAGES AND HIGH

PRICES, HOWEVER, WILL CONTINUE TO CAUSE HARDSHIPS IN THE DEFICIT AREAS. FOODGRAIN REQUIREMENTS FOR THE PERIOD AUGUST/ SEPTEMBER THROUGH MID- NOVEMBER, WHEN FALL HARVESTED CROPS WILL BECOME AVAILABLE FOR CONSUMPTION, WILL HAVE TO BE MET BY ADDITIONAL IMPORTS WHICH THE GOI SHOULD BEGIN PURCHASING SOON.

MOYNIHAN

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Message Attributes

Automatic Decaptioning: X
Capture Date: 10 MAY 1999
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 11 MAY 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: boyleja
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973NEWDE05531
Document Source: ADS
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: n/a
Film Number: n/a
From: NEW DELHI
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t19730560/abqcegcx.tel
Line Count: 171
Locator: TEXT ON-LINE
Office: ACTION NEA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: boyleja
Review Comment: n/a
Review Content Flags:
Review Date: 08 AUG 2001
Review Event:
Review Exemptions: n/a
Review History: RELEASED <08-Aug-2001 by kelleyw0>; APPROVED <15-Aug-2001 by boyleja>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: <DBA CORRECTED> mcm 980202
Subject: WEEKLY FOOD SITUATION
TAGS: EAGR, IN
To: STATE INFO ISLAMABAD
KATHMANDU
LONDON
BOMBAY
CALCUTTA
MADRAS
Type: TE

Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005